

Financial Summary

Highlights

- NIWA Group met its financial targets for 2007–08
- Record revenue of \$120.7 million, including interest income
- Net surplus, at \$10.1 million, producing a return on average equity of 12.8%
- Record international revenue of \$10.25 million.

Composition of NIWA Group

Parent Company

National Institute of Water and Atmospheric Research Ltd (NIWA). Sometimes referred to as NIWA Science.

Subsidiaries

	Principal activities	Ownership & voting interest
NIWA Vessel Management Ltd	Vessel charters for scientific research; owns RV <i>Tangaroa</i> , RV <i>Kaharoa</i> , & survey launch <i>Pelorus</i> ; operates marine mechanical & electrical workshops for maintenance on the NIWA fleet	100
NIWA Natural Solutions Ltd	Commercialisation of NIWA products	100
NIWA Australia Pty Ltd	Scientific research & consultancy services, Australia	100
NIWA Environmental Research Institute	Not-for-profit scientific research & consultancy services, USA	100
NIWA (USA), Incorporated	Scientific research & consultancy services, USA	100
Unidata Pty Ltd	Supplier of environmental technology products	80
EcoConnect Ltd	Non-trading shell company; intended to deliver environmental forecasting services	100

Joint ventures

The Group has a 50% participating interest in Riskscape NZ, an unincorporated joint venture of equal interests with Geological Risk Limited (a wholly owned subsidiary of GNS Science). The joint venture is funded by the Foundation for Research, Science and Technology to develop the Regional RiskScape Model, a support tool for decision-makers which simulates regional natural hazards and produces estimates of damage in dollars and likely casualties.

Understanding the numbers

All figures in this Financial Summary relate to the NIWA Group as a whole unless otherwise stated.

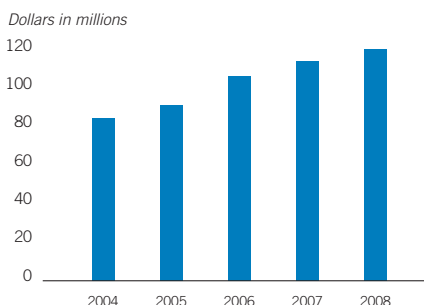
On 1 July 2006, the Group changed its accounting policies to comply with the New Zealand International Financial Reporting Standards (NZ IFRS). Previously we used Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of comparison, where the change in accounting policy affects the numbers, we show the figures for 2006–07 both as originally reported (NZ GAAP) and 'translated' according to the new standards.

Revenue

Revenue growth

NIWA's revenue continues to grow strongly. In 2007–08, NIWA's total revenue, including interest income, was \$120.7 million (2007: \$113.9 million), against budgeted revenue of \$115.8 million.

Total revenue (includes interest income)



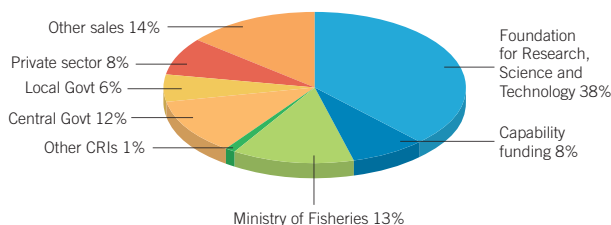
Revenue sources

Public good science and technology funding represented 46% of NIWA's revenue in 2007–08. This consisted of contestable research funding from the Foundation for Research, Science and Technology (38%; \$45.5 million) and capability funding from the Ministry of Research, Science and Technology (8%; \$10 million).

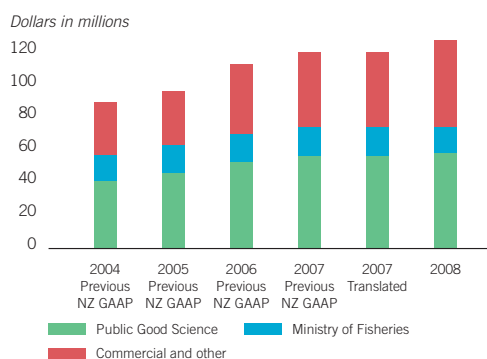
NIWA's second largest single source of revenue was contestable fisheries research contracts from the Ministry of Fisheries (13%; \$15.1 million).

The remainder (41%; \$50 million) largely consisted of commercial consultancy work.

Proportion of revenue by source, 2007–08

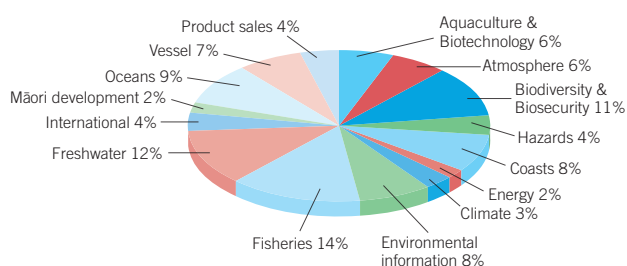


Revenue showing sources



Over the past five years, revenue from Ministry of Fisheries contracts has been relatively static. NIWA received a substantial boost in Public Good Science funding in 2005–06, partly related the introduction of the Capability Fund which is calculated on a different basis from the previous Non-Specific Output Funding. Revenue in this category has grown slightly since. In 2007–08, commercial consultancy work was the largest source of revenue growth.

Revenue by national centres/area of operations, 2007–08



International revenue

In 2007–08, NIWA achieved record international revenue of \$10.25 million, mainly driven by new large contracts in the Middle East.

Expenditure

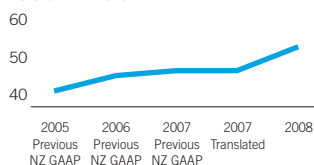
Personnel

Personnel costs rose by \$6 million this year. This reflects:

- expanding staff numbers
- increasing remuneration per staff member.

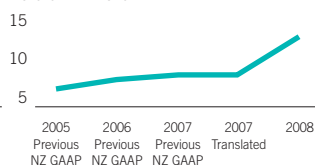
Payroll benefits

Dollars in millions



Capital expenditure

Dollars in millions



Capital

Many of NIWA's core science areas are capital intensive and we must invest heavily in new equipment to keep our science leading-edge and deliver the expected outcomes for New Zealand. In recent years, NIWA's capital investment has been roughly \$9 million per year. In 2007–08, however, NIWA embarked on a three-year \$58 million capital expenditure programme to:

- strengthen the capability of key strategic science assets (e.g., dynamic positioning system for RV *Tangaroa*)
- improve the work environment and facilities for NIWA staff
- strengthen infrastructure and equipment to rapidly advance NIWA's science
- pursue commercialisation opportunities
- implement sustainability initiatives.

Total asset base

Average shareholders' equity at 30 June 2008 totalled \$79.3 million (2007: \$69.5 million). Total average assets were \$109.5 million at 30 June 2008 (2007: \$100.9 million).

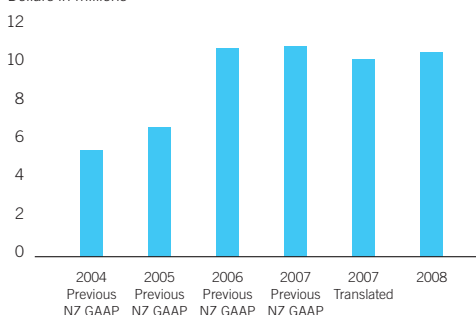
Net surplus

In 2007–08, NIWA exceeded its business plan objectives, as set out in the Statement of Corporate Intent, with a net surplus (after tax) of \$10.1 million (2007: \$9.8 million) against a budgeted net surplus of \$9.5 million.

NIWA's flat profit despite record high revenue reflects the external environment of rising costs, and growth in both personnel and capital expenditure.

Net profit after tax

Dollars in millions



Dividend

In 2007–08, dividend payments of \$186,750 were made to the Government of New Zealand (the Crown), as the sole shareholder.

Profitability

NIWA continues to be a profitable company. The Group's policy is to maintain a strong capital base to retain investor and creditor confidence, and sustain future development. The Board reviews capital management and allocation policies regularly.

Return on average equity after tax

The Shareholding Ministers set 9% as the targeted return on equity. They have indicated that the target is to be delivered as a long-term average due to the potential cyclical profitability that can be involved in research outputs.

The Group has historically met the targeted return on equity each year. The Board chose to restate the value of the Group's land, and some buildings, on transition to the new financial reporting standards. Formerly they were on our books at their original cost; now they are shown at their value as at 1 July 2006. This resulted in a decrease in return on equity from 22.6% to 14.1% in 2006–07. The return on average equity for 2007–08 was 12.8%.

Liquidity

NIWA continues to have healthy liquidity, with greater assets than liabilities.

	2006–07	2007–08
Current ratio	1.3	1.5
Quick ratio	1.8	2.1

The audited financial statements of the National Institute of Water & Atmospheric Research Ltd and Group for the financial year ended 30 June 2008 can be found on pp. 27–64 of NIWA's Annual Report 2008. This Financial Summary is not part of NIWA's audited accounts.